

# **City of Eau Claire**

## **City Council Fiscal Policy Advisory Committee Report on Tax-Exempt Properties**

**September 13, 2010**

**Fiscal Policy Advisory Committee  
Council Member David Duax, Chair  
Council Member Thomas Kemp  
Council Member Jackie Pavelski**

**Mike Huggins  
Dale Peters  
Rebecca Noland  
Pat Ivory  
Cathy Marohl**

**City Manager  
Human Resource Director  
Finance Director  
Senior Planner  
Executive Assistant**



**Fiscal Policy Advisory Committee Report of Tax-Exempt Properties**  
September 2010

Attached is the Fiscal Policy Advisory Committee Report (FisPAC) Report of Tax-Exempt Properties, presented by the Committee members in September 2010.

Included in the report are an overview of statistics associated with the current tax status of properties in Eau Claire and maps demonstrating the disbursement of tax-exempt properties within the city. Roughly 47 percent of the total area within the city is not currently subject to property tax. However, this includes 4,848 acres of tax-exempt land parcels and 5,439 acres of public street rights-of-way and water areas.

The total area of the City, over 21,600 acres, includes public rights of way, water, and land parcels. Public rights of way and water account for approximately 25 percent of the total area. The remaining area, distributed into separate parcels, includes 11,400 acres (53 percent of the total area) that is taxable and 4,848 acres, (22 percent of the total area) that is tax exempt.

The distribution of the tax-exempt land parcels includes, in part

Federal	26.4 acres	(Less than 1 percent)
State	40.6 acres	(Less than 1 percent)
County	940 acres	(19 percent)
City	1,946.8 acres	(40 percent)
Schools	935.6 acres	(19 percent)

Sincerely,

Mike Huggins  
City Manager

Attachment

## EXEMPT PROPERTIES – CITY OF EAU CLAIRE

The City of Eau Claire Fiscal Policy Advisory Committee has had a series of discussions over the past few months regarding properties within the City that are classified as exempt from paying property taxes. This discussion is a prelude to future committee discussions regarding such topics as general location of such properties in relation to service needs, public service needs required for these properties and costs associated with these services, the impact of these properties on providing public services, possible excess properties, future funding alternatives for services, etc.

A review of the City's GIS system utilizing assessment information has been used to provide an overview of the location, number, and size of the exempt parcels within the City. The city assessment database contains a data field for each parcel that identifies its existing land use. This land use classification identifies exempt parcels and then subdivides them into fifteen categories. The GIS system was utilized to query the parcel records to provide an analysis of this information and map showing the location of the exempt properties.

The fifteen categories of exempt properties include:

- |                          |                      |
|--------------------------|----------------------|
| -federal                 | -state               |
| -county                  | -city                |
| -school                  | -church              |
| -benevolent              | -housing authority   |
| -redevelopment authority | -utility             |
| -hospital                | -cemetery (non-city) |
| -museum                  | -partially exempt    |
| -other                   |                      |

On a city-wide basis, the City of Eau Claire is approximately 21,687 acres in total size. Approximately, 5,439 acres of this area (25%) includes land that is not included within established parcels. This would include land such as street right-of-way and water areas including: the Chippewa River (including islands), Eau Claire River, and Half Moon Lake. Most of the remaining water related areas such as Otter Creek, Sherman Creek, Lowes Creek and Bullis Pond are included within adjoining parcel areas. The remaining 16,248 acres of land (75%) is land included in the City's parcel based system comprising approximately 23,225 parcels.

A review of the 23, 225 parcels within the City indicate that approximately 991 parcels are listed as exempt or partially exempt. These parcels total approximately 4,848 acres. Map 1 (see attached) provides an overview of the location of these parcels.

The following table provides a breakdown of the fifteen categories of exempt properties indicating the number and approximate acreages by category.

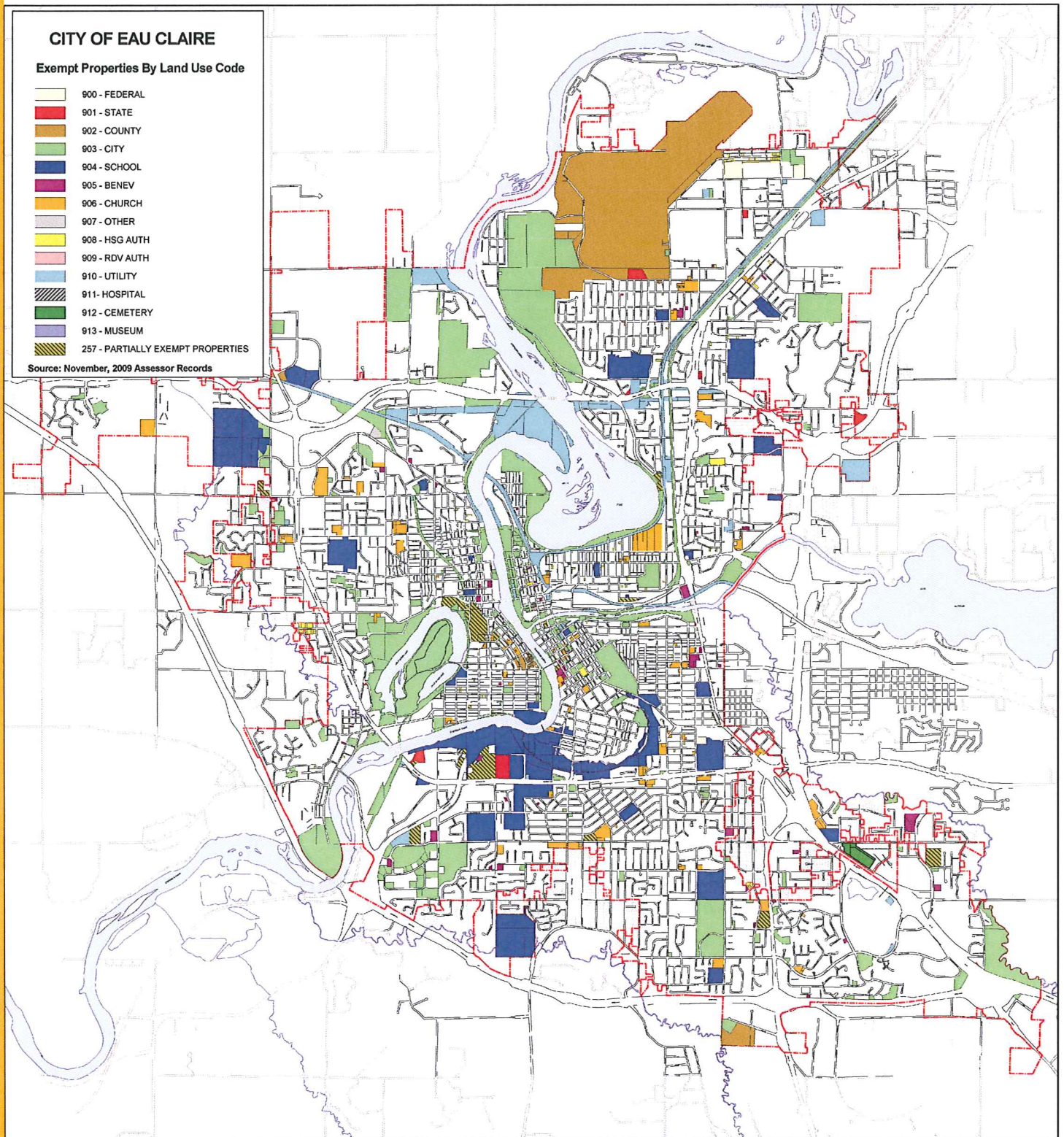
**Table 1**  
**City of Eau Claire**  
**Exempt Properties By Land Use Code**

<b>CLASSIFICATION</b>	<b>ASSESSMENT CODE #</b>	<b>NUMBER OF PARCELS</b>	<b>TOTAL ACREAGE</b>
Federal	900	4	26.4
State	901	18	40.6
County	902	51	940.0
City	903	374	1,946.8
School	904	85	935.6
Benevolent	905	67	58.5
Church	906	137	228.7
Other	907	3	4.5
Housing Authority	908	102	34.1
Redevelopment Authority	909	6	0.7
Utility	910	111	493.3
Hospital	911	5	2.7
Cemetery	912	3	18.2
Museum	913	2	0.4
Partially Exempt	257	23	117.3
<b>TOTAL</b>		<b>991</b>	<b>4,847.8</b>

Source: November, 2009 Parcel Information

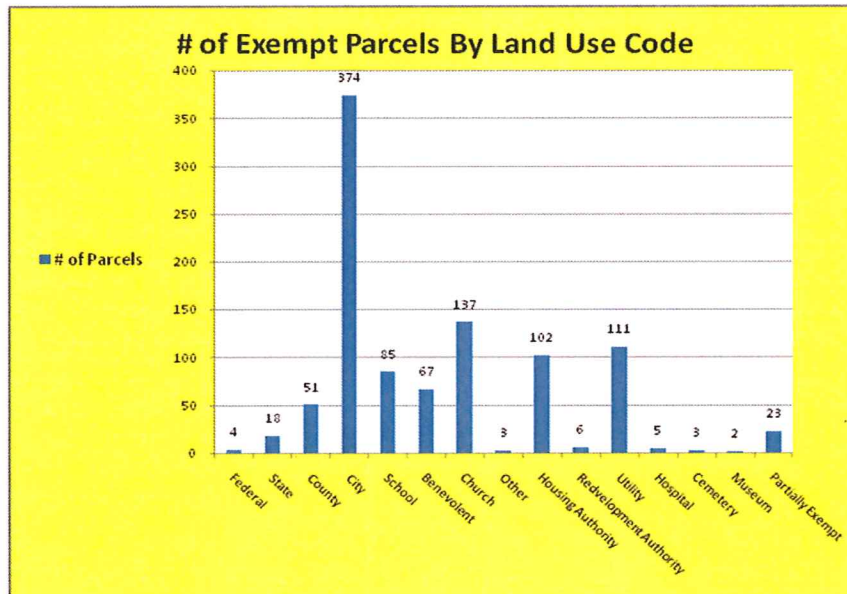
It should be noted that this information provides a general overview of those parcels classified as exempt by the City Assessing Division. Some minor discrepancies in the classification of these properties may exist and further review in the future may be necessary. For example, several of the parcels owned by the City's Redevelopment Authority are classified as City-owned properties. Therefore, the classification of these properties as exempt is correct, but the more detailed designation of land use code had not been updated as of the time this data was extracted from the assessor's database, which was November of 2009.

# Map 1

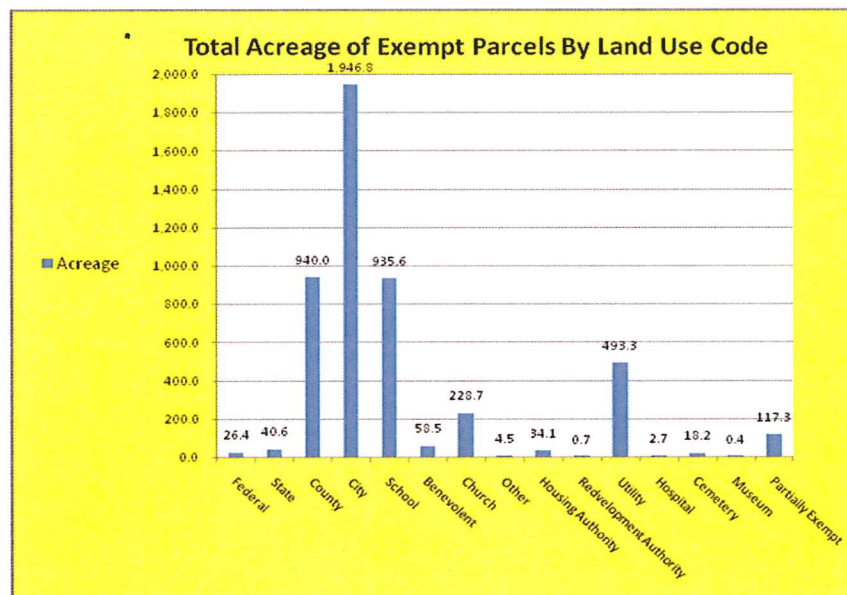


In addition, in review of this table, the majority of the Luther Hospital and Sacred Heart Hospital campuses are classified as partially exempt rather than under the “hospital” category. Also, parcels classified as “cemetery” are those parcels that are privately owned. The City-owned cemeteries are listed under the “city” category.

The following charts provide an overview of the data provided in Map 1 and Table 1, both by number of parcels and by acreage.

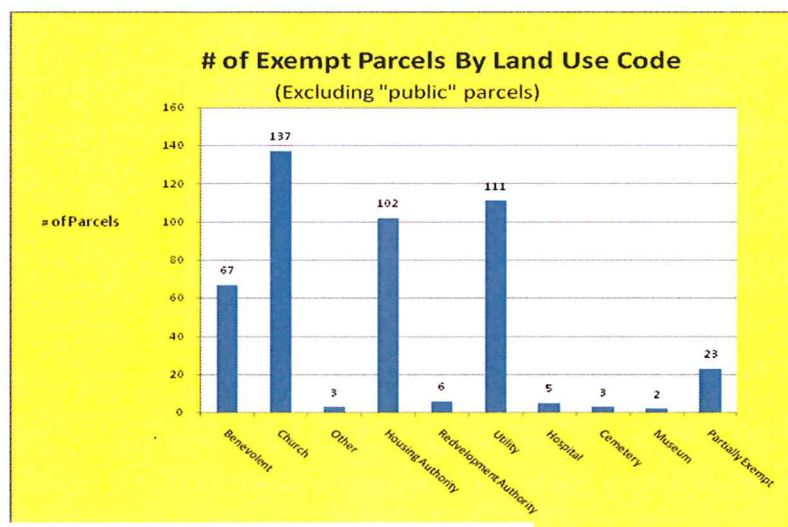


Source: November, 2009 Parcel Information

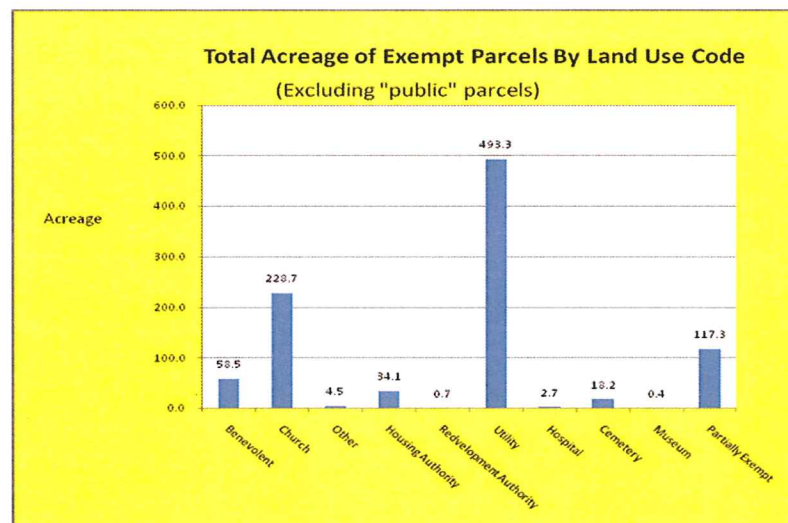


Source: November, 2009 Parcel Information

The State of Wisconsin currently makes a Payment for Municipal Services to the City—in 2010, the payment was \$803,000, for services provided to 76 building sites. The payment represents 67 percent of the City of Eau Claire’s entitled payment. Because the State works from a “fixed” amount, after proration of the available funding among entitled communities, the amount of actual payment to the City was reduced by more than \$397,000. The Committee also discussed comparisons of the exempt properties when government related properties (federal, state, county, city, and school) were not included in the totals. Map 2 and the following tables illustrate this information when these public properties are excluded. The data indicates that approximately 459 parcels totalling approximately 958 acres are classified within these “non-public” exempt categories.

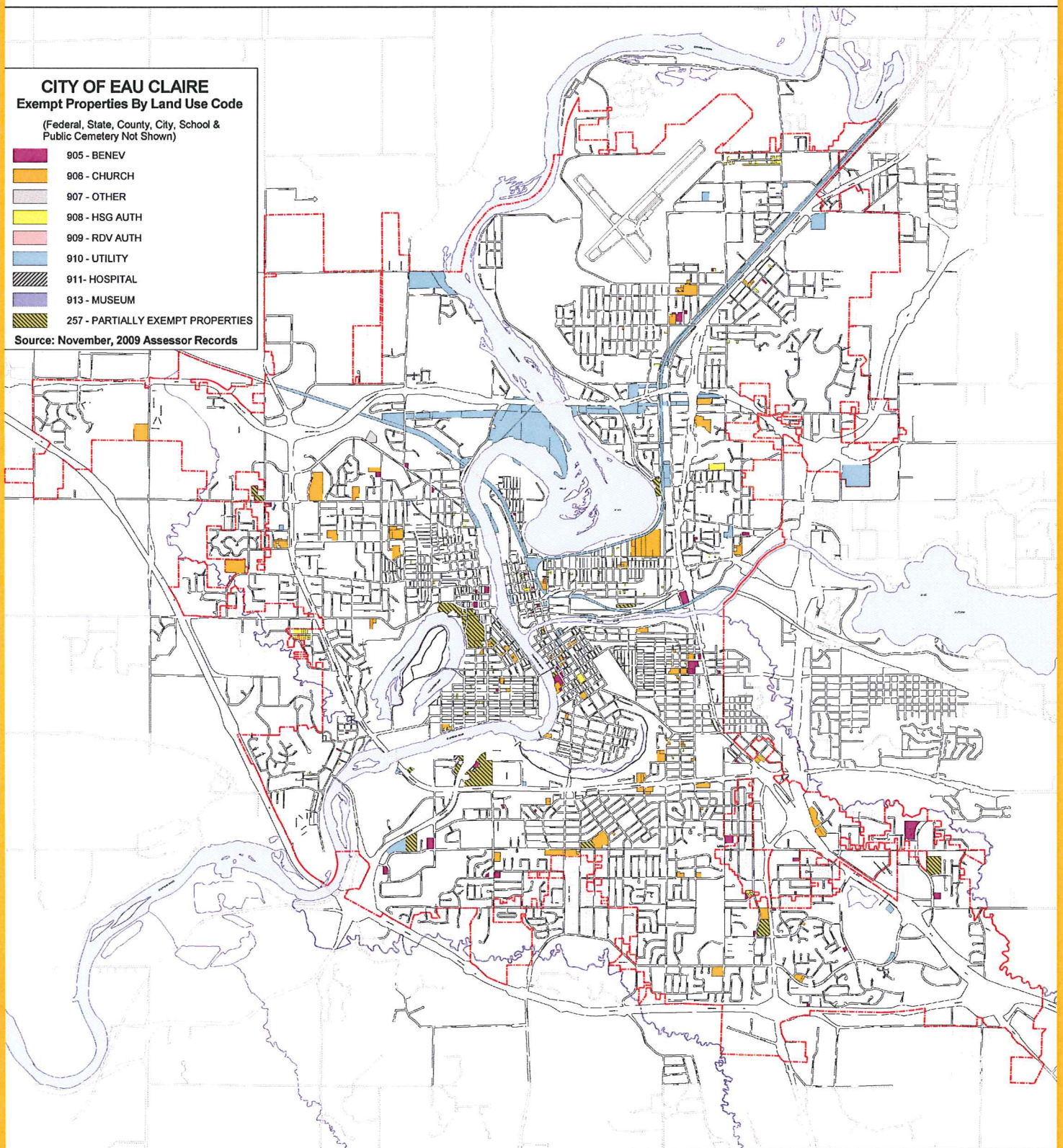


Source: November, 2009 Parcel Information



Source: November, 2009 Parcel Information

Map 2



### **Findings:**

Analysis of the current tax-exempt properties within the City of Eau Claire indicated the following:

1. Approximately 25 percent of the 21,687 acres of land within the city limits is street rights-of-way and water areas.
2. The remaining 16,248 acres is comprised of approximately 23,225 established parcels.
3. Approximately 991 parcels are either tax-exempt or partially exempt (4,848 acres).
4. Fifteen different categories make up the exempt categories, including federal, state, county, city and school (government-related) categories.
5. The State of Wisconsin makes an annual Payment for Municipal services to the City for 76 buildings located within the city limits. In 2010, the amount of the payment was just over \$800,000.
6. The balance of the non government-related exempt categories is comprised of 459 parcels or 958 acres. These include churches, utilities, and benevolent groups, among others.
7. Forty-seven percent of the total area in the city is not subject to property tax. However, this includes 4,848 acres of tax-exempt land parcels and 5,439 acres of public street rights-of-way and water areas.
8. The current amount and parcel characteristics of the tax-exempt property within the City of Eau Claire may have policy implications for public service delivery options that re-allocate costs between general ad valorem property taxes and utility or specific service fees or charges.

### **Recommendations:**

Additional public policy issues that should be considered include:

1. The State of Wisconsin should review the existing state fiscal and revenue structure for providing sufficient public revenues to local governments to ensure the public structures essential for families, businesses, and local communities to continue to thrive. Having abandoned the shared revenue structure that worked for nearly a century, it is incumbent upon the State to provide the leadership to fashion a revised fiscal structure that works and is sustainable. This will include at a minimum a review and adjustment of the existing tax classification system.
2. Property tax is the principal source of public revenue for cities to support public services. While City services are provided for the entire area of the City, only 50% of the total area of the city is taxable. The State and local communities must work together to address this imbalance and provide a reasonable and equitable way for support of the local services needed for vibrant and safe local communities.

3. Given the percentage of tax-exempt federal, state, county, and school district property, the City of Eau Claire must consider alternative revenue options for ensuring support of public structures if the State fails to address the failures of the existing state system of revenue supports. When considering future changes to how the City allocates service delivery costs, the City Council should included analysis of the potential impacts on the current pattern of tax-exempt properties.

